

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

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MEMORANDUM

TO: Salem Retirement Board
FROM: Joseph E. Connarton, Executive Director
RE: Appropriation for Fiscal Year 2018
DATE: November 28, 2016

Required Fiscal Year 2018 Appropriation: **\$13,172,908**

This Commission is hereby furnishing you with the amount to be appropriated for your retirement system for Fiscal Year 2018 which commences July 1, 2017.

Attached please find summary information based on the present funding schedule for your system and the portion of the Fiscal Year 2018 appropriation to be paid by each of the governmental units within your system. The allocation by governmental unit was determined by Segal Consulting as part of their January 1, 2016 actuarial valuation.

If your System has a valuation currently in progress, you may submit a revised funding schedule to PERAC upon its completion. The current schedule is/was due to be updated by Fiscal Year 2019.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446 Extension 921.

JEC/jrl
Attachments

cc: Office of the Mayor
City Council
c/o City Clerk

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Salem Retirement Board

Projected Appropriations

Fiscal Year 2018 - July 1, 2017 to June 30, 2018

Aggregate amount of appropriation: **\$13,172,908**

Fiscal Year	Estimated Cost of Benefits	Funding Schedule (Excluding ERI)	ERI	Total Appropriation	Pension Fund Allocation	Pension Reserve Fund Allocation	Transfer From PRF to PF
FY 2018	\$12,027,429	\$12,899,128	\$273,780	\$13,172,908	\$12,027,429	1,145,479	\$0
FY 2019	\$12,264,905	\$13,566,085	\$285,228	\$13,851,313	\$12,264,905	\$1,586,408	\$0
FY 2020	\$12,507,129	\$14,267,464	\$297,191	\$14,564,655	\$12,507,129	\$2,057,526	\$0
FY 2021	\$12,754,199	\$15,005,043	\$309,692	\$15,314,735	\$12,754,199	\$2,560,536	\$0
FY 2022	\$13,006,210	\$15,780,690	\$322,754	\$16,103,444	\$13,006,210	\$3,097,234	\$0

The Total Appropriation column shown above is in accordance with your current funding schedule and the scheduled payment date(s) in that schedule. Whenever payments are made after the scheduled date(s), the total appropriation should be revised to reflect interest at the rate assumed in the most recent actuarial valuation. Payments should be made before the end of the fiscal year.

For illustration, we have shown the amount to be transferred from the Pension Reserve Fund to the Pension Fund to meet the estimated Cost of Benefits for each year. If there are sufficient assets in the Pension Fund to meet the Cost of Benefits, this transfer is optional.

SECTION 3: Supplemental Information for the City of Salem Contributory Retirement System

EXHIBIT G

Department Results

Category	Water	South Essex Sewer	Housing	Essex Technical High School	City	Salem Retirement Board	Total
1. Total normal cost	\$88,788	\$445,638	\$162,421	\$581,983	\$5,342,422	\$15,573	\$6,636,825
2. Administrative expenses	4,080	20,480	7,464	26,745	245,515	716	305,000
3. Expected employee contributions	<u>-82,348</u>	<u>-392,408</u>	<u>-136,903</u>	<u>-416,036</u>	<u>-3,323,047</u>	<u>-13,814</u>	<u>-4,364,556</u>
4. Employer normal cost: (1) + (2) - (3)	\$10,520	\$73,710	\$32,982	\$192,692	\$2,264,890	\$2,475	\$2,577,269
5. Employer normal cost as a percent of payroll	0.65%	1.98%	2.11%	4.82%	6.25%	3.11%	5.52%
6. Actuarial accrued liability	\$7,241,000	\$22,802,246	\$7,884,709	\$10,677,740	\$219,188,078	\$1,490,080	\$269,283,853
7. Actuarial value of assets	<u>3,813,692</u>	<u>14,155,382</u>	<u>4,040,778</u>	<u>5,615,027</u>	<u>115,160,848</u>	<u>790,515</u>	<u>143,576,242</u>
8. Unfunded actuarial accrued liability: (6) - (7)	\$3,427,308	\$8,646,864	\$3,843,931	\$5,062,713	\$104,027,230	\$699,565	\$125,707,611
9. Reallocation of Retirement Board unfunded actuarial accrued liability:	<u>19,180</u>	<u>48,389</u>	<u>21,511</u>	<u>28,332</u>	<u>582,153</u>	<u>-699,565</u>	<u>0</u>
10. Unfunded actuarial accrued liability with reallocation: (8) + (9)	\$3,446,488	\$8,695,253	\$3,865,442	\$5,091,045	\$104,609,383	\$0	\$125,707,611
11. Reallocation of Retirement Board normal cost	10	71	32	185	2,177	-2,475	0
12. Employer normal cost with reallocation: (4) + (11)	10,530	73,780	33,014	192,878	2,267,067	0	2,577,269
13. Employer normal cost projected to July 1, 2016	10,713	75,060	33,587	196,224	2,306,399	0	2,621,983
14. 2002 ERI payments	0	39,727	22,420	5,356	0	0	67,503
15. 2003 ERI payments	4,382	0	0	2,482	169,083	0	175,947
16. 2010 ERI payments	0	0	0	0	19,375	0	19,375
17. Payment on remaining liability	<u>265,886</u>	<u>650,408</u>	<u>275,817</u>	<u>352,094</u>	<u>8,098,717</u>	<u>0</u>	<u>9,642,922</u>
18. Budgeted appropriation for fiscal 2017: (13)+(14)+(15)+(16)+(17)	\$280,981	\$765,195	\$331,824	\$556,156	\$10,593,574	\$0	\$12,527,730
19. Fiscal 2018 appropriation	297,233	800,774	357,229	629,979	11,087,694	0	13,172,909
20. Fiscal 2019 appropriation	313,388	843,228	376,116	661,327	11,657,254	0	13,851,313

Notes: Administrative expenses allocated in proportion to total normal cost.

Actuarial value of assets allocated in proportion to actuarial accrued liability less present value of future ERI payments and adjusted for additional contributions by South Essex Sewerage.

Recommended contributions are assumed to be paid July 1.